

**CITY OF LAKE VIEW**  
**INDEPENDENT ACCOUNTANTS' REPORT**  
**ON APPLYING AGREED-UPON PROCEDURES**  
**FOR THE PERIOD**  
**JULY 1, 2014 THROUGH JUNE 30, 2015**

*Feldmann & Company CPAs P.C.*  
523 North Main Street  
Carroll, Iowa 51401

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## City of Lake View

### Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
John Westergaard	Mayor	Jan 2016
Jerry Huss	Council Member	Jan 2016
Terry Reis	Council Member	Jan 2018
Ken Steinkamp	Council Member	Jan 2018
Dave Woltman	Council Member	Jan 2018
Lynn "Gus" Cleveland	Council Member	Jan 2016
Scott Peterson	City Clerk/Treasurer and Administrator	Indefinite
Erin McCollough	Attorney	Indefinite

**City of Lake View**

# *Feldmann & Company CPAs P.C.*

523 North Main Street  
Carroll, Iowa 51401  
(712) 792-2464

## Independent Accountant's Report on Applying Agreed-Upon Procedures

To the Honorable Mayor  
and Members of the City Council:

We have performed the procedures enumerated below which were established pursuant to Chapter 11.6 of the Code of Iowa enacted by the Iowa Legislature to provide oversight of certain Iowa cities. Accordingly, we have applied certain tests and procedures to selected accounting records and related information of the City of Lake View for the period July 1, 2014, through June 30, 2015. The City of Lake View's management, which agreed to the performance of the procedures performed, is responsible for the City's records.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants and the standards for attestation engagements contained in Government Auditing Standards, issued by the Comptroller General of the United States. The sufficiency of these procedures is solely the responsibility of those parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures we performed are summarized as follows:

1. We reviewed selected City Council meeting minutes for compliance with Chapters 21, 372.13(6) and 380 of the Code of Iowa.
2. We reviewed the City's internal controls to determine if proper control procedures are in place and incompatible duties, from a control standpoint, are not performed by the same employee.
3. We reviewed surety bond coverage for compliance with Chapter 64 of the Code of Iowa.
4. We obtained and reviewed the City Clerk's financial reports and selected bank reconciliations to determine whether the bank balances properly reconciled to the general ledger account balances and monthly financial reports provided to the City Council.
5. We reviewed City funds for consistency with the City Finance Committee's recommended Uniform Chart of Accounts (COA) and to determine required funds and fund balances are properly maintained and accurately accounted for.
6. We reviewed the City's fiscal year 2015 Annual Financial Report to determine whether it was completed and accurately reflects the City's financial information.
7. We reviewed compliance with Chapters 12C.2, 12B.10B and 556.1(12) of the Code of Iowa pertaining to required depository resolutions, investment policy and reporting of unclaimed property to the State of Iowa.

8. We reviewed debt, including general obligation and revenue bonds/notes, and related transactions for proper authorization and compliance with Chapters 75, 384 and 403.9 of the Code of Iowa and to determine whether the debt and related proceeds and repayments were properly accounted for.
9. We reviewed and tested selected tax increment financing (TIF) transactions, including receipts, disbursements and transfers, for compliance and accurate accounting, including compliance with the TIF reporting requirements of Chapter 384.22 of the Code of Iowa.
10. We reviewed the City's TIF debt certification forms filed with the County Auditor, including requests for collection of reduced TIF amounts and to decertify certain TIF obligations, as applicable, for proper support and compliance with Chapter 403.19(6) of the Code of Iowa.
11. We reviewed and tested selected receipts for accurate accounting and consistency with the recommended COA.
12. We reviewed voter approved levies for proper authorization in accordance with Chapter 384.12 of the Code of Iowa.
13. We reviewed and tested selected disbursements for proper approval, adequate supporting documentation, accurate accounting and consistency with the recommended COA and compliance with the public purpose criteria established by Article III, Section 31 of the Constitution of the State of Iowa.
14. We reviewed transfers between funds for propriety, proper authorization and accurate accounting.
15. We reviewed and tested selected payroll and related transactions for propriety, proper authorization and accurate accounting.
16. We reviewed the annual certified budget for proper authorization, certification and timely amendment.

Based on the performance of the procedures described above, we identified various recommendations for the City. Our recommendations are described in the Detailed Recommendations section of this report. Unless reported in the Detailed Recommendations, items of non-compliance were not noted during the performance of the specific procedures listed above.

These agreed upon procedures do not constitute an audit of financial statements or any part thereof, the objective of which is the expression of an opinion on the financial statements or a part thereof. Had we performed additional procedures, or had we performed an audit of the City of Lake View, additional matters might have come to our attention that would have been reported to you.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Lake View and other parties to whom the City of Lake View may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Lake View during the course of our agreed-upon procedures. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

## **Detailed Recommendations**

## City of Lake View

### Detailed Recommendations

For the period July 1, 2014, through June 30, 2015

- (A) Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Generally, one individual has control over each of the following areas for the City, items (1) through (3) while another has control over each of the following areas for the City, items (4) through (6):

- (1) Cash – handling, reconciling and recording.
- (2) Receipts – opening mail, collecting, depositing, journalizing, reconciling and posting.
- (3) Utilities – billing, collecting, depositing and posting.
- (4) Payroll – recordkeeping, preparing and distributing.
- (5) Financial reporting – preparing and reconciling.
- (6) Journal entries – preparing and journalizing.

Recommendation – We realize segregation of duties is difficult with a limited number of employees. However, the City should review its control procedures to obtain the maximum internal control possible under the circumstances utilizing currently available staff, *including elected officials*. Independent reviews of reconciliations should be documented by the signature or initials of the reviewer and the date of the review.

The Mayor could collect the bank statement from the bank after month-end and review the statement for erasures/alterations and scan for unusual withdrawals and/or checks, prior to delivering the statement to the Clerk's office.

The Clerk should consider randomly cross checking/testing deposits against the day's collections to verify accuracy and completeness two or three times monthly. This will mitigate the utility and receipt accounting functions handled by one individual without adequate compensating controls.

The City should segregate accounting duties to the extent possible, the above recommendations will assist toward that endeavor.

- (B) City Expenses – In the course of our examination, we noted that not all paid invoices or other supporting documentation were properly canceled. We also noted two payments made without Council approval.

Recommendation - The City should ensure all disbursements are listed for Council approval before any payment is consummated, and make sure to cancel invoices or other supporting documentation to prevent reuse.

- (C) Bank Reconciliations – Although the cash and money market balances in the City's general ledger were reconciled to bank and money market account balances throughout the year, the reconciliation does not include the listing of outstanding checks and/or deposits. Also, bank reconciliations are not, but should be reviewed by an independent person.

Recommendation – The City should establish procedures to ensure bank and money market account balances reconciliation (including the outstanding items list) are reviewed by an



## City of Lake View

### Detailed Recommendations

**For the period July 1, 2014, through June 30, 2015**

independent person who would then document the review by signing or initialing and dating the monthly reconciliations.

- (D) Bank Statements – The City has not fully implemented the State recommendation that the bank statement includes images of front and back of cancelled checks.

Recommendation – To implement the State Auditor recommendations, the City Clerk should request of the banks used that future statements include images of the back of the checks as well as the fronts.

- (E) Annual Urban Renewal Report – The Annual Urban Renewal Report submitted to the State indicates an erroneous amount for the total TIF Debt outstanding of \$1,174,970, \$268,380 more than the correct balance of \$784,095. This was due to improper reporting of interest due on Boulders Infrastructure Debt of \$298,200 instead of the proper amount of \$29,820.

Recommendation – The City should establish procedures to ensure computer generated reports are accurate before submission. The City should inquire with the Iowa Treasurer to report errors and take immediate action to correct the reports.

- (F) Deposits and Investments – The City has not adopted a written investment policy as required by Chapter 12B.10B of the Code of Iowa.

Recommendation – The City should adopt a written investment policy which complies with the provisions of Chapter 12B.10B of the Code of Iowa. The City Council, by resolution, should approve amounts sufficient to cover anticipated balances at all approved depositories as required by Chapter 12C.2 of the Code of Iowa.

- (G) City Council Meeting Reports – Council should be informed of not just the fund balances via the Treasurers report each month but also the year to date revenue and expenses at month-end compared to budget. This informs the Council as to the progress the City is making toward the financials goals set by the budget.

Recommendation – The City could comply by creating a summary budget revenue and budget expense report with the software currently in use.

- (H) Recommendation Status - The City does not currently have a process by which findings and recommendations are tracked for progress and enhancements to internal control, noting actions taken on findings and recommendations.

Recommendation – A listing of findings and recommendations should be prepared. Research or information on said items listed should be noted, any procedures established or actions taken toward complying with the findings and recommendations presented to the City be noted. Finally, the City should assess the new procedures or actions taken to assure they are being followed and that compliance for the finding or recommendation has been addressed and improved. The review and assessment of the process should be documented by the signature or initials of the reviewer and the date of the review.